

Section **5**

Operating Procedures

Section 5: Operating Procedures

Title 1, Recording Transactions and Documentation

Internal accounting requires all transactions pertaining to school money to be recorded in the accounting records daily. For purposes of the Manual, “accounting records” include data stored in the form of computer files and spreadsheets as well as a system of double-entry accounting records maintained manually. Accounting procedures and forms used in a school system should be uniform, especially within the same grade levels. Accounting methods and procedures that exceed the minimum requirements presented in the Manual may be implemented as considered necessary by the board of education.

The school should maintain board and/or principal authorizations, and written policies and agreements (as applicable) for: (1) fundraisers, (2) cooperative and noncooperative activities, (3) use of a petty cash fund, (4) use of school property and equipment, and (5) other documentation as necessary to support compliance with the provisions of this Manual.

Original source documents form the basis for recording financial transactions in the accounting records. Such documents include, but are not limited to, prenumbered receipt books, collection logs, vendor invoices, delivery reports, receiving reports, payroll records, bank statements, bank-validated deposit tickets, canceled checks, inventory records, and property records. These source documents must be retained for future reference and audit purposes.

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Title 2, Revenues/Receipts

Definitions

For purposes of this title, the following definitions apply:

Bookkeeper: Individual responsible for recording financial transactions in the school records

Cashier: Individual in central office who collects money and writes receipts

Teachers/Others: Teachers, assistants, volunteers, support staff, etc., who collect money for vending, fundraisers, field trips, fees, concessions, and other activities and remit it to the central office

Day/Daily: Refers to business days, i.e., Monday through Friday excluding banking holidays

► The use of a cashier is necessary for optimal separation of duties. However, some schools may not have adequate personnel to allow someone other than the bookkeeper to collect money and write receipts. In these situations, as noted throughout this Manual, school personnel should develop alternative procedures that minimize the risks associated with this lack of separation of duties. These procedures might include more frequent profit analyses, comparison with prior year collections and with expected receipts, etc., by someone other than the bookkeeper. **HOWEVER, WHEN AT ALL POSSIBLE, SOMEONE OTHER THAN THE BOOKKEEPER SHOULD COLLECT MONEY AND WRITE RECEIPTS.**

General

Money within an individual school may be obtained from many sources including athletics, concessions, plays, publications, stores, gifts, vending machines, etc. Most often, this money may be handled by one or more persons before it is recorded in the cash receipts journal by the designated school

employee. The school becomes accountable when money is initially received by employees, officials, or volunteers acting in their official capacity.

Prior to authorizing or requiring any collections, the principal must evaluate the ability of school personnel to provide the required accountability. The use of teacher assistants and other support staff could be considered, as well as schedules designating the time of day for collecting and remitting the collections to the central office. This schedule should be developed with the understanding that all money must be deposited within three days of the initial collection. The principal should never authorize or require any collection which cannot be adequately accounted for.

Collection of Money by Teachers/Others

a. General

Teachers, assistants, volunteers, and support staff who handle money should be made aware of the requirement for maintaining accurate and systematic records of all cash collected. Few of these individuals are trained bookkeepers, yet many must collect and account for field trips, fees, fundraisers, etc. At the beginning of each school year, the principal should ensure that all individuals responsible for school collections are informed of the required procedures and forms and the consequences for noncompliance with the required procedures. When feasible, the principal should consider collection options which do not require teachers to collect money from students within the classroom.

b. Records

Teachers/others who collect money should prepare a collection record (prenumbered receipt, collection log, ticket reconciliation, signed recorded count, etc.) for each separate activity. All collections by teachers/others should be remitted to the cashier daily or more frequently, if necessary.

(1) Prenumbered Receipts

The principal may choose to require all teachers/others who collect money to issue a prenumbered receipt to each payer. If so, the following requirements apply:

- (a)** All prenumbered receipt books must be controlled by a designated individual, who issues the books sequentially. That individual must maintain a record showing the receipt book issued (beginning and ending receipt numbers), date issued, and the signature of the teacher/other who received the book.
- (b)** The receipt book used should contain at least three-part prenumbered receipts. The first copy is written and given to the payer. The second copy is taken to the cashier along with the related collections, and the third copy is for the teacher/other.
- (c)** Teachers/others are accountable for all prenumbered receipts, including voided receipts, issued to them by the designated individual in control of the receipt books. All copies of every voided receipt must be retained by teachers/others.
- (d)** The receipt must identify the payer, the amount remitted, and date. If the receipt itself does not identify the purpose(s) for the payment and the corresponding amount(s), other documentation must be attached to permit the bookkeeper to record the transaction.

(2) Collection Logs

A collection log may be prepared as an alternative to prenumbered receipts. School pictures, annuals, field trips, beta club dues, etc. are collections that are often recorded on collection logs. The log documents the name of the school, the purpose of the collection, the name of the teacher/other or club/class, the payers, the date(s) of collection, and the daily total. When daily

collections are completed, the collections should be counted by the teacher/other and reconciled with the daily total on the collection log. Noted errors should be corrected and unexplained differences should be documented.

All collections should be turned in to the cashier daily, or more frequently if the teacher/other feels it necessary for the safeguarding of money. The cashier must count the money and issue a prenumbered receipt to the teacher/other at the time the collections are remitted. In addition, the cashier should record the amount, receipt number, and receipt date on the collection log, and initial the information on the collection log. The teacher/other may continue to use the same log until all collections for that activity are completed. On the final collection date the teacher should bring the collection log to the bookkeeper and retain a copy. Teachers are encouraged to retain these logs for at least three years in the event of audit questions.

(3) Ticket Reconciliations

A ticket reconciliation form is required for all events, such as athletics or entertainment, for which a fee is charged or paid in advance, and a collection log is not used. The principal may choose not to use tickets for events for which a nominal fee (\$1.00 or less) is charged. A written policy addressing this issue should be established at the beginning of the school year. For situations in which ticket reconciliations or collection logs are not used, a signed recorded count should be prepared.

All admission tickets should be prenumbered. For events in which several different prices are charged, a different ticket color and/or numerical series for each price group should be used. The principal is responsible for accounting for all tickets and ensuring the safekeeping of the ticket inventory.

Prior to the tickets and ticket reconciliation form being given to the ticket seller, a designated individual other

than the ticket seller will record the beginning ticket number and the amount of change to be given to the ticket seller. The ticket seller should initial this information to document verification of the information on the form. A separate person should be assigned responsibility for collecting tickets at the point of admission. When the event's ticket sales are complete, the ticket seller and the principal or principal's designee should count the cash and complete and sign the ticket reconciliation form. One of the responsible persons will retain a copy of the original ticket reconciliation and the original should accompany the money and unsold tickets. The cashier should issue the official receipt to one of the persons signing the ticket reconciliation. If a discrepancy between the ticket reconciliation and the official receipt exists, the principal should be notified in writing so that the principal may determine necessary action. Any alternate procedures should be designed to ensure that all money that should be collected is collected and remitted for deposit.

(4) Recorded Counts Signed by Two Individuals

Some activities, such as bake sales, car washes and concessions, preclude remitting money to the cashier directly following the close of an event and do not lend themselves to the use of a collection log or prenumbered receipt. The collection record for these activities may consist of only a recorded count signed by two responsible individuals at the close of the activity. The form used for the recorded count should include the date, purpose and amount of collection. In addition, the form should include a statement that 'the money collected for this fundraiser was counted by the parties who have signed below' followed by the signatures of the two responsible persons. One of the responsible persons will retain the original recorded count and a duplicate or copy should accompany the money. The cashier should issue the official receipt to one of the persons signing the recorded count.

NOTES:

1. When fees are waived, collection documentation must include the student name, amount of fee and purpose of fee for all waived amounts. This list of waived fees can be included on the collection log. When prenumbered receipts are used, a separate list must be prepared and submitted with the collections.
2. **Daily collections from any source should never be used for the purpose of providing change for events.** When additional money is needed for the purpose of providing change for events, a check should be written to the individual responsible for the change. The change received should be recorded in the "Cash on Hand Account." The exact amount of the change should be redeposited as soon as feasible and the deposit slip marked "Redeposit."
3. The principal should prohibit teachers/others from turning money over (leaving money on the cashier's desk) without receiving a receipt.

Collection of Money by Cashier

At the beginning of each school year, the principal should ensure that the cashiers are informed of the required procedures and forms used for collection of money and the consequences for noncompliance with the required procedures.

1. Receipt procedures

- a. The cashier must count the money and issue a prenumbered receipt at the time money is remitted.
- b. All prenumbered receipt books must be controlled by a designated individual (other than the cashier), who issues the books sequentially. That individual must maintain a record showing the receipt book issued (beginning and ending receipt numbers), date issued, and the signature of the cashier.
- c. The receipt book used should contain at least three-part prenumbered receipts. The first copy is written and given to the payer. The second copy is taken to the bookkeeper, and the third copy is for the cashier.

- d. The cashier is accountable for all prenumbered receipts, including voided receipts, issued to him/her by the designated person controlling the prenumbered receipt books. All copies of every voided receipt must be retained by the cashier.
- e. The receipt must identify the payer, the amount remitted, and date. If the receipt itself does not identify the purpose(s) of the collection and corresponding amount(s), other supporting documentation must be attached to permit the bookkeeper to record the transaction.

2. Other Procedures by Cashier

- a. The cashier should record the amount, receipt number, and receipt date on each collection log, and initial the information on the collection log.
- b. The cashier should restrictively endorse all checks, e.g., “FOR DEPOSIT ONLY/Tennessee High School.”
- c. Someone other than the cashier or bookkeeper should open all mail daily, list all checks received on a collection log and restrictively endorse the checks. A copy of the log should accompany the money when it is remitted to the cashier each day. The cashier must issue a receipt to the person remitting the money and include the checks in the daily deposit.
- d. Daily collections should be reconciled with the total of all receipts issued. The last receipt included in the deposit should be marked to indicate the receipt numbers included in the deposit, the amount deposited and the date of the deposit. Using daily collections for cashing checks or making purchases is prohibited.
- e. Depending on the type of accounting system used, some schools may require the cashier to prepare a daily cash report, which summarizes each day’s collections by type (i.e. yearbooks, fundraising, pictures, vending, etc.) This record is used by the bookkeeper for daily posting.

- f. The cashier should complete a duplicate deposit slip. All checks should be listed individually on the deposit slip, itemizing the name of the payer and the amount. The receipt numbers comprising the deposit should be written on the deposit slip. When preparation of the daily deposit is completed, the cashier should turn over to the bookkeeper the bookkeeper's copies of the receipts and any other supporting documentation, such as: remittance advices (documentation received from vendors and individuals identifying the reason why payment was made to the school) received with mail payments, daily cash report, teacher collection logs, ticket reconciliations, etc. All of the collections and the deposit slip should be turned over for deposit to an individual who is not involved in the collecting and recording process. (Refer to Banking section for deposit procedures.)

NOTES:

1. Cashiers should not allow teachers/others to turn money over (leaving money on the cashier's desk) without receiving a receipt.
2. **Daily collections from any source should never be used for the purpose of providing change for events.** When additional money is needed for the purpose of providing change for events, a check should be written to the individual responsible for the change. The change received should be recorded in the "Cash on Hand Account." The exact amount of the change should be redeposited as soon as feasible and the deposit slip marked "Redeposit."

Recording of Collections by Bookkeeper

The bookkeeper should obtain all applicable collection documentation from the cashier, such as the bookkeeper's copies of the receipts and any other supporting documentation, including: remittance advices (documentation received from vendors and individuals identifying the reason why payment was made to the school) received with mail payments; daily cash reports; collection logs; ticket reconciliations; etc. Prior to posting to the cash receipts journal, the bookkeeper should determine that the amounts and totals on the collection logs, and other documentation are mathematically correct and that the corresponding receipts agree. The bookkeeper should record on his/her copy of the prenumbered receipt the applicable account codes and corresponding amounts. The bookkeeper should then record the collections in the cash receipts journal. All collection

documentation should be filed in a manner which allows the bookkeeper to easily find requested documentation.

The bookkeeper should obtain and file the validated duplicate deposit slip (or the duplicate deposit slip with deposit receipt attached).

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Title 3, Purchasing

Purchase Authorization

The board of education should develop a detailed purchasing policy for the expenditure of internal school funds and the principals of the individual schools should ensure compliance with the policy. The dollar limitations established in this title apply unless otherwise provided in the board's policy.

All purchases must be for an appropriate purpose; that is, they must not detract from or be in opposition to the overall educational process. The principal or principal's designee is responsible for determining the appropriateness of purchases. In determining appropriateness, the following questions should be considered:

1. Is this an expenditure for which the board of education is responsible?

NOTE: Although disbursements for educational and professional development could be considered to indirectly benefit the welfare of the student body, these disbursements are the responsibility of the board of education and would not be legitimate expenditures of money raised by students. As noted previously in the Manual, since Tennessee schools are referred to as being free, (§ 49-6-3001, *TCA*), money raised by students must be used to finance normal and legitimate extracurricular activities. This money should be used to supplement and not replace money for activities and services provided by the board. Staff development is the responsibility of the board.

2. Is this expenditure for a school purpose?
3. Is this expenditure for the welfare of the student body?

If student organizations (whose activities are accounted for in restricted accounts), excluding athletics, raise funds through noninstructional fees, membership dues, and fundraisers, then purchases by these organizations must be approved by the membership of the organization and documented in their minutes. In addition, a student authorization form should be completed and given to the bookkeeper along with the purchase request. Permission for certain routine and

recurring expenses, such as refreshments for meetings, may be documented once for the entire year.

A purchase requisition is a request to make a purchase. A purchase authorization is a prior written authorization by the principal, or designee, approving the purchase of goods and services. A prenumbered purchase authorization is required for each purchase of goods and/or services of \$100 or more except for emergency repairs or purchases, reimbursements from restricted accounts not sponsored by the principal, and purchases of goods and services made under contract. Principals should make all teachers/others aware that purchases made which do not require prior written approval may, in certain circumstances, become the personal responsibility of the employee. For example, the principal should not authorize payment in any amount for purchases that:

- ♦ are not appropriate; or
- ♦ are to be paid out of accounts that do not have sufficient balances.

Each purchase of goods and services should be supported by adequate documentation.

If the sponsor of a club, class or other restricted account has complied with the above requirements, it would be reasonably expected that the principal would authorize payment from that restricted account. In no circumstances should prior approval be given if the account or fund balance is insufficient.

Purchasing Procedures for Teachers/Others

To initiate a purchase which does not require advertised bids, including purchases from other school accounts, a prenumbered purchase requisition should be completed. The purchase requisition should include the date of request, the name of the individual requesting the purchase, the fund/account to be charged, the items/services to be purchased and the amount of each item/service. Any documented quotes required by the school system's purchasing policy should be attached to the purchase requisition.

As noted above, purchases may not be charged to class or club accounts without the prior written permission of the student membership that raised the money. Documentation of this approval should also be attached to the purchase requisition.

The prenumbered purchase requisition is given to the bookkeeper.

Purchasing Procedures for Bookkeeper

When the bookkeeper receives or originates a purchase requisition, the bookkeeper should review the account balance to be charged to determine if sufficient money is available. If sufficient money is available, the bookkeeper should sign and date the form, and, if the purchase is over \$100, forward it to the principal for approval. After the prenumbered purchase requisition form is signed by the principal, it becomes a **purchase authorization**. This form also can be used as a **purchase order**, if one is needed for the purchase. The original should go to the vendor, one copy should be filed in the outstanding purchase requisition/purchase authorization folder and the other copy should be given to the individual initiating the purchase request.

When requisitions are used for purchases of less than \$100, the bookkeeper should review the account to be charged to determine if sufficient money is available. If sufficient money is available, the bookkeeper should initiate the purchase (or follow alternate procedures established by the principal.) Two copies of the purchase requisition should be filed in the outstanding purchase requisition/purchase authorization folder (unless a purchase order is needed for the vendor), and the other copy should be given to the individual initiating the purchase request.

Documents such as invoices, receiving reports and/or delivery receipts, together with other related support provide the bookkeeper with adequate supporting documentation to make payment. An invoice is an itemized document from a third party that describes in detail the type, quantity, and charges for goods and services purchased. A receiving report is a document prepared by the school to record the verification of items/services received and accepted. A delivery receipt accompanies the delivery and itemizes the items delivered. If receiving reports and/or delivery receipts are used, they should be signed and dated by a designated individual to indicate that the items listed were received and accepted, and the report/receipt should be filed with other documentation. If receiving reports and/or delivery receipts are not used, the invoice should be signed and dated by the designated individual who received and accepted the items. When authorized services have been completed, a designated individual should sign and date the invoice or receiving report to indicate that the service was completed properly and accepted.

The bookkeeper should require and obtain adequate supporting documentation before disbursing any school money. Periodic statements from vendors and copies of invoices are not adequate documentation to support disbursements. If a copy of an invoice must be used rather than the original, the bookkeeper should include a written explanation on the invoice stating the reason. When items/services are purchased for which vendors do not provide formal

invoices (e.g., commencement speakers, officials for athletic contests, etc.), the school should prepare a document and have it signed by the vendor.

When a vendor invoice or other invoice documentation is received, the bookkeeper should match the related purchase authorization and accompanying receiving report/delivery receipt with the invoice to verify that the items/services shown on invoice were actually ordered and received, and that prices charged are correct. Before payment is made, the bookkeeper should check the mathematical accuracy of amounts charged (unit costs multiplied by quantities), and should ensure that sales tax is not charged or paid for tax-exempted purchases. Payment should be made in time to take advantage of any discounts allowed for early payment.

Each payment should be properly recorded in the school's cash disbursement journal. Since the fiscal year for Tennessee schools is from July 1 through the following June 30, the cost of any goods or services received by June 30 must be recorded as an **expenditure** for that fiscal year. If payment for those goods and services received during the year is not made by June 30, an account payable exists. An outstanding purchase authorization (goods and services **not** received during the fiscal year) at June 30, is **not** recorded as an expenditure or an account payable for that year.

Purchases and reimbursements from one school account to another (such as the senior class reimbursing the football account for a portion of the football homecoming flowers) **are not equity transfers**, and should not be reported as transfers in the school's operating statement. Purchases (arms-length transactions) should be recorded as a revenue in the account selling the items/services and as an expenditure in the account purchasing the items/services. Reimbursements should be recorded as an expenditure in the reimbursing account and as a reduction of expenditures in the account receiving the reimbursement. Since no check is being issued, these entries would be made in the General Journal.

After payment is made, each page of the invoice and attached documentation, including the purchase authorization and receiving report/delivery receipt, should be stamped "Paid" or canceled in some manner to prevent duplicate payment. If duplicates or copies of checks are not attached to the supporting documents, the check number, date, and amount paid should be clearly marked on each purchase authorization and paid invoice. Supporting documents (copy of check, invoice, purchase authorization, receiving report/delivery receipt, etc.) should be filed together or in such a way that they can be easily reassembled.

Purchasing Procedures by Principal or Designee

The principal should review all purchase requisitions in excess of \$100 signed by the bookkeeper to determine if the disbursement is for an appropriate purpose. The principal should then sign and date the purchase requisition to indicate authorization to make the purchase. The purchase requisition/authorization should then be returned to the bookkeeper. **Purchase requests/authorizations must not be signed in advance of their preparation.**

For disbursements of less than \$100, the principal's determination of appropriateness should be made when supporting documentation is reviewed prior to signing the check. The principal's signature on the check indicates that the disbursement was considered appropriate.

Bid Process and Required Documented Quotes

Each board of education should establish bid policies and procedures for student activity and other internal school funds within its jurisdiction, provided that limits for purchases requiring advertised bids cannot exceed the bid limit set forth for boards of education in applicable public or private statutes. Each board of education should also establish policies regarding purchases which should require documented quotes from vendors. All required quotes must be documented. The recommended policy is to require documented quotes for purchases from \$500 to the advertised bid limit.

Large individual purchases must be made only after proper advertising and bid procedures have been followed in accordance with such policies. This requirement shall also apply to purchases of like items which individually cost less than the amount specified in the applicable law but which are customarily purchased in lots of two (2) or more if the total purchase price would exceed the amount set by the law (i.e. purchases of like computers or uniforms). Purchases shall not be subdivided in order to circumvent applicable bid policies.

Some vendors allow schools to purchase certain items directly from the vendor at the price quoted in contracts established by the Purchasing Division of the Tennessee Department of General Services. Schools are not required to follow the normal bid procedures when purchasing in this manner. Schools should contact the Tennessee Department of Education for information on the established contracts.

Prior Authorization Required

Expenditures that require prior authorizations, bidding, and the like, should be anticipated in time to permit processing and proper clearance of written authorization requests. Expenditures must not be made until authorizations have been granted.

The following expenditures must be approved by the local board (or the board's designee) or the local legislative body, as noted:

- a. The local board must approve the purchase of a single piece of equipment costing more than \$5,000, or a lesser amount, if mandated by the board, or by a public or private act.
- b. The local board must approve the purchase of equipment (regardless of cost) that is to be attached to or that requires the alteration of the building.
- c. The local board must approve the construction or installation of permanent fixtures.
- d. The local board must approve accounts payable that will not be liquidated during the current fiscal year.
- e. **The Local Legislative Body must approve lease purchase agreements or other contracts that will have the effect of creating long-term liabilities, since schools are prohibited from recording long-term liabilities in the school accounts.**

Limitations on Disbursements

Revenue raised for specific purposes must be expended for that purpose, unless otherwise authorized. Authorizations must be granted by the group or activity, club, or class that raised the revenue and must be properly documented.

Money raised through fundraising activities must be used for the authorized purpose. Any change of purpose must be approved by the director of schools.

Expenditures Made by Pupils and Employees

Students or school employees are not permitted to make purchases in the name of the school without proper written authorization. Schools are not liable to pay for any unauthorized purchases made by a student or school employee.

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Title 4, Petty Cash

Authorization

School officials and employees are discouraged, but not prohibited, from making petty cash disbursements. However, the creation and use of a school petty cash account must be specifically authorized in writing by the board of education for a prescribed amount and for the maximum amount of a single petty cash transaction.

Establishment of Account

To establish authorized petty cash accounts, a check should be written to the designated individual in charge of the petty cash account (petty cash custodian). Petty cash accounts should be maintained on an imprest basis whereby a fixed sum of money is maintained at all times. The lowest amount of money possible should be maintained in the petty cash account.

Petty Cash Vouchers/Invoices

For each disbursement, a petty cash voucher should be completed in ink. The voucher should indicate the date, the items purchased, the payee and the disbursement amount. The person receiving the cash should sign the voucher. The petty cash custodian must ensure that all petty cash vouchers are supported by invoices, cash tickets or other adequate documentation.

Replenishing Petty Cash and Recording Expenditures

The amount of cash on hand and petty cash vouchers written must total to the original fixed amount of the petty cash account at any point in time. When cash has been reduced to the point that routine requirements cannot be met, a check should be issued to the petty cash custodian to replenish the exact amount of vouchers on file in the petty cash drawer. The paid vouchers with related supporting documentation will be used by the bookkeeper to charge expenditures to the appropriate account codes in the accounting records. The only entries to the petty cash account would be to establish the account originally, increase or decrease the account, or to close the account.

Emphasized Internal Control Procedures

1. The person responsible for handling petty cash should approve, date, initial, and mark each voucher “paid” to prevent reuse. Petty cash funds should be maintained in a secure location that restricts access to the authorized petty cash custodian only. **Petty cash should never be used to cash personal checks for any individual or to issue refunds and should never be commingled with personal funds of any school employee.**
2. The principal or principal’s designee should periodically review petty cash disbursements and the supporting documentation to ensure that these purchases are appropriate.

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Title 5, Refunds and Travel

Refunds

Refunds in excess of \$2 should be disbursed only by check and should not be paid from a petty cash account. Refunds are reductions of revenue, rather than new expenditures.

Travel and Conferences

Student activity funds must not be used to pay for travel expenses for employee development, conferences, seminars, registration fees, etc., of school personnel. Boards of education are responsible for establishing travel policies pertaining to school personnel and for reimbursing school personnel for travel directly related to education conferences, seminars, etc., and employee development or training costs. This limitation does not apply to employee travel expenses associated with club or class activities, such as the Beta Club, Senior Class, etc.

Other Travel

As noted above, the board of education is responsible for establishing all travel policies pertaining to school personnel. All requests for travel reimbursements to authorized school functions should be submitted on a travel expense claim and should be in accordance with board policies. Except for authorized per diem charges or standard mileage amounts, all claims must be supported by invoices, cash receipt tickets, or other adequate supporting documentation, which should be filed as required for other school disbursement documentation.

Travel Advances

Advances given to school personnel for authorized school activities (such as to teachers for class or club trips) must be made by a check payable to and given directly to the responsible individual. When possible, payment should be made directly to vendors, rather than advances being made to individuals.

Traveler's checks should be used by the employee to reduce the risk associated with carrying large amounts of cash, and to avoid possible difficulty in

cashing school checks. Within three days after returning from the trip, a travel expense claim should be completed and submitted to the bookkeeper, along with invoices and other supporting documentation. Unexpended balances of advances and unused traveler's checks should be remitted to the cashier for receipt when the travel expense claim is submitted to the bookkeeper.

The bookkeeper should reconcile all travel advances with the related travel claim and prenumbered receipts to ensure that all school money has been properly accounted for. Related supporting documentation should be filed as required for other school documentation for disbursements. The bookkeeper should record the return of unexpended cash advances and unused traveler's checks in the general journal.

If adequate supporting documentation is not included with the travel claim, the employee is responsible for the payment of money to the school to cover the difference.

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Title 6, Salary Supplements, Substitute Teachers, and Contracted Services

Salary Supplements

Any supplemental compensation owed to board of education employees for extracurricular activities must be processed through the director of school's office in the same manner as salary and other payroll payments. Board of education employees may not be compensated directly by individual schools from internal school funds.

Each school should submit to the board of education on a regular basis a payroll record for each individual who is to receive a salary supplement. The payroll record should be signed by the employee, and the principal should include the name of the employee, the date(s) and type of work performed, and the pay rate. The board of education will then calculate the amount of gross pay, employee withholdings (federal income tax, FICA, state retirement, insurance, etc.) and the employer's matching share and will include the salary supplement in the employee's regular payroll check received or in a supplemental paycheck from the board of education.

The board of education will invoice the school for reimbursement of the total amount of the gross salary supplement and the employer's share of the related payroll withholdings.

Substitute Teachers

The board of education should establish policies regarding the reimbursement of substitute teachers' salaries related to restricted class and club accounts (i.e., substitute teacher is required when Beta sponsor attends Beta convention). The principal should ensure that all class/club sponsors are informed of applicable policies. If reimbursement from the school is required by the board, the sponsor should ensure that approval is obtained in advance from the membership of the class or club.

Contracted Services

The United States Internal Revenue Code, Section 6042, paragraph 6667, requires anyone engaged in a trade or business who makes payments totaling \$600 or more during a calendar year to a noncorporate recipient (such as an individual working as a sole proprietor or a partnership) to report such payments to the Internal Revenue Service (IRS) and to provide the payee with a Form 1099-MISC.

The board of education is responsible for preparing and distributing such forms to payees. Failure to issue the required Form 1099 by January 31 may result in the board of education and/or schools being liable for a penalty. Therefore, schools must submit information concerning such payments to the board of education to permit a timely filing of Form 1099-MISC. In determining whether the dollar threshold of \$600 has been achieved, the board of education must consider payments made to payees by all schools combined.

A board of education, as an employer, must generally withhold income taxes, withhold and pay social security and Medicare taxes, and pay unemployment taxes on wages paid to an employee. The board of education, however, does not have to withhold or pay any taxes on payments made to independent contractors unless the contractor does not provide an EIN.

Individuals who are employed by a board of education and wish to perform contracted services for the school(s) must demonstrate to the board of education in advance that they meet the stringent IRS definition and test of an independent contractor. Generally, most board of education employees will not meet the IRS definition and test of independent contractor. (**NOTE:** One exception is board of education employees who officiate at athletic events through contract with TSSAA.) Information concerning the employee versus independent contractor relationship may be found in *Publication 15-A, Employer's Supplemental Tax Guide (Supplement to Circular E, Employer's Tax Guide, Publication 15)*, published by the U.S. Department of the Treasury, Internal Revenue Service.

The board of education should require each contractor to complete IRS Form W-9 and should retain the form on file for future reference and audit purposes.

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Title 7, Borrowing, Lending, and Transfers

Borrowing and Lending

Individual schools are not permitted to borrow or loan money for any reason or for any purpose. For purposes of this Manual, a lease-purchase agreement, as referred to in Section 5 of the Manual, is not considered a loan.

Transfers of Money from One School Account to Another

A transfer is considered a donation or gift to the receiving fund or account. Internal school funds may not be transferred from a restricted fund account without the written permission of the club or activity group that raised the funds. Supporting documentation authorizing such a transfer must be retained on file for future reference and audit purposes.

Prohibited Transfers

Each primary account in the restricted fund must be self-supporting. Therefore, transfers may not be made from the general fund to a restricted fund account to eliminate an account deficit.

Section 5: Operating Procedures

Title 8, Club and Class Accounts

General

Student classes and clubs are considered restricted fund accounts. Disbursements and transfers from these accounts must be approved in writing by the membership of the group.

Unexpended Account Balances

Accounts created for a class must be established on the basis of a graduation year so that account balances automatically follow the class until graduation. The graduating class should make provisions for the disposition of unexpended money prior to graduation, as such accounts must be closed at the end of the fiscal year. (For example, the class may choose to use any remaining money to open a savings account, independent of the school's bank accounts, to be used for subsequent class reunions.) Accordingly, if disposition of remaining balances has not been made prior to graduation, the balances will be transferred to the general fund. The graduating class will be considered to have forfeited its vested interest in such money after graduation.

The same guidelines apply to the remaining balance of any activity group account that has become inactive, after the activity group has had an opportunity to determine the disposition of the balance, but failed to do so.